DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Beneficiary Choices
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Medicare Plan Accountability Group

DATE: **October 18, 2004**

LETTER TO: All Medicare Advantage Organizations and Demonstrations.

SUBJECT: Updates on Special Needs Plans (SNPs) and ESRD Processing for 2005 ACTION

This letter is a follow-up to the July 29, 2004 system letter "Transition From the Legacy Group Health Plan (GHP) System to the Medicare Managed Care System (MMCS)". It clarifies and modifies some of the material in that prior letter as well as providing information related to the Special Needs Plans (SNPs).

This letter addresses the following topics.

- Special Needs Plans
- ESRD and Working Aged
- ESRD Transplant Reporting
- 2005 ESRD Payments

Special Needs Plans (SNPs)
CMS has begun to approve SNPs. These are plans offered by Medicare Advantage (MA) organizations designed to serve special needs individuals; i.e.; dual-eligibles and institutionalized. Other types of SNPs may be defined in the future.

MA organizations submit transactions for these members as they normally do for their other members; payment continues to be computed in the same way.

Please note that if a SNP is being offered for dual-eligibles, the MA organization must continue to submit a transaction 01 to set the Medicaid flag if there is not already a Medicaid period posted in the system. MA organizations need to verify Medicaid entitlement and submit these transactions for dual-eligible members that enroll in SNPs in order to receive the Medicaid payment rate.

ESRD and Medicare Secondary Payer (MSP) Status
All ESRD members enrolled in the MCO as of August 1, 2004 should have been surveyed to determine if they have coverage that is primary to Medicare. ESRD members of all ages were to be surveyed. Survey results were to be submitted, along with the working aged data for the nonESRD members, by 9/15/2004.

For the ESRD non-respondents, CMS will check CWF for the presence of a primary insurance coverage period during 2004 related to the following insurer types:
A = WA/Spousal WA
B = ESRD
G = Disabled.

Payment for ESRD members identified as having insurance primary to Medicare will be based on their risk adjustment factor multiplied by .215. However, before applying an MSP adjustment, we will determine whether the beneficiaries' coordination period has ended.

Coordination Period for ESRD Members with Coverage Primary to Medicare
Medicare becomes the primary payer for ESRD beneficiaries with coverage primary to Medicare after a 30-month coordination period. At the point that the 2005 risk adjustment factors are computed, a determination will be made as to the month when the 30-month coordination period will end. The following rules will apply.

- If the coordination period would end prior to January 2005, the risk adjustment factor WILL be at the full rate; it will NOT be multiplied by .215.

- If the coordination period would end during Jan – Jun 2005, the risk adjustment factor WILL be at the full rate; it will NOT be multiplied by .215.

- If the coordination period would end during Jul - Dec 2005 or later, the risk adjustment factor will NOT be at the full rate; it WILL be multiplied by .215.

There will be a flag on the membership report to notify if the factor includes the MSP adjustment. (See Attachment B.) Due to conversion from GHP to MMCS, this flag will not be populated until mid-2005.

Payments computed as described above will be reconciled based on concurrent MSP status. This means that after MA organizations submit survey information for their members in September 2005, CMS will adjust 2005 payments for ESRD beneficiaries based on this data. More information regarding this process will be issued.

ESRD Transplant Reporting
Further discussions with ESRD systems and network staff regarding the reporting of transplants have provided information that is modified from the July 29th systems letter. The 5-day timeframe stated in that letter referred to the fact that the networks are notified regarding transplants within five days. Systems staff provided information that showed that at least 96% of transplant data is received by the payment system within two to three weeks after the procedure was performed. This is a vast improvement from the 4 – 6 months required for system updates prior to the implementation of the new ESRD system.

When determining the timeliness of payments, MA organizations must consider the proximity of the transplant date to the plan payment date. Because of this fact, MA organizations should wait at least 45 days before expecting to see the transplant payment. (Refer to the section on ESRD Payments for 2005 in this letter for more information as to how that payment will be made.)

If this timeframe is exceeded, MA organizations should notify their ESRD network contacts. **Please note that MA organizations must wait the defined 45day timeframe prior to contacting the network**. When contacting the network, documentation supporting the transplant claim must be provided. The networks will investigate the delay and ensure that the systems are updated.

2005 ESRD Payments

Payments for ESRD members in 2005 will be interim and will be updated with nonlagged factors in July 2005 and reconciled in mid-2006. The interim factors computed for ESRD members will represent the most accurate status possible when preparing the risk adjustment factors. CMS is revising the method for determining the 2005 interim payments for members that have received a transplant or that are in post-graft status. The dialysis payments will remain as stated in the July 29th letter; the Dialysis risk adjustment factor multiplied by the Dialysis rate book.

If an ESRD member has a Transplant, the payment will be made over three months; unless the beneficiary dies or disenrolls. The payments continue for the full 3 months in all other cases; even if the transplant fails. In contrast to what was stated in the July 29th systems letter, the payments will be divided into 3 equal payments. The MMR will display the G factor type for all 3 months.

After the Transplant payments end, and if the member has not reverted to Dialysis status, the Post-Graft payments begin. At the point when the 2005 risk adjustment factors are computed, a determination will be made for individuals that have had a Transplant in 2004 as to which Post Graft status will apply in 2005; i.e., months 4-9 after the transplant or months 10+ after the transplant. Due to MMCS conversion, the MMR will only be able to identify one type of post-graft factor for each member type (community, institutional and new enrollee). The factor type that will be used on the MMR is CP, EP or IP for months 4-9 **and** for months 10+. These types will be expanded by mid-2005 to differentiate between the 4-9 months (type C1/E1/I1) and months 10+ (C2/E2/I2). For members that have a transplant in 2005 and attain post-graft status, the 4-9 factor will be used.

NOTE CHANGE: The 2005 ESRD payments will be based on the status of the member in 2005 taking into consideration events that occurred in 2004. For example, if a member has a transplant in November 2004, the payment will be based on the 2004 demographic rates and factors for November and December 2004. For January 2005, the payment will be 100% risk adjusted and represent the third transplant month's payment.

Contact Information

If you have questions regarding the ESRD MSP and payment sections, please contact Jeff Grant on 410.786.7160 or Sean Creighton on 410.786.9302.

If you have any questions regarding the other sections of this letter, please contact the DEPO central office staff assigned to the region where your MCO is located. Refer to Attachment A.

Marla K. Kilbourne
Director
Division of Enrollment
and Payment Operations

Attachments

ATTACHMENT A
CENTRAL OFFICE CONTACT LIST

	Health Insurance Specialist	Technical Support
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ATTACHMENT B
MEMBERSHIP REPORT LAYOUT

#	Field Name	Len	Pos	Description
1	MCO Contract Number	5	1-5	MCO Contract Number
2	Run Date of the File	8	6-13	YYYYMMDD
3	Payment Date	6	14-19	YYYYMM
4	HIC Number	12	20-31	Member's HIC #
5	Surname	7	32-38	
6	First Initial	1	39-39	
7	Sex	1	40-40	M = Male, F = Female
8	Date of Birth	8	41-48	YYYYMMDD
9	Age Group	4	49-52	BBEE BB = Beginning Age EE = Ending Age
10	State & County Code	5	53-57	
11	Out of Area Indicator	1	58-58	Y = Out of Contract-level service area Always Spaces on Adjustment
12	Part A Entitlement	1	59-59	Y = Entitled to Part A
13	Part B Entitlement	1	60-60	Y = Entitled to Part B
	Demographic Health Status Indicators:			
14	Hospice	1	61-61	Y = Hospice
15	ESRD	1	62-62	Y = ESRD
16	Working Aged	1	63-63	Y = Working Aged
17	Institutional	1	64-64	Y = Institutional

#	Field Name	Len	Pos	Description
18	NHC	1	65-65	Y = Nursing Home Certifiable
19	Medicaid	1	66-66	Y = Medicaid Status
	Risk Adjuster Indicators:			
20	FILLER	1	67-67	SPACES
21	Medicaid Indicator	1	68-68	Y = Medicaid Addon
22	PIP-DCG	2	69-70	PIP-DCG Category - *Only on pre-2004 adjustments*
23	Default Indicator	1	71-71	Y = default RA factor in use • For pre-2004 adjustments, a "Y" indicates that a new enrollee RA factor is in use • For post-2003 payments and adjustments, a "Y" indicates that a default factor was generated by the system due to lack of a RA factor.
24	Risk Adjuster Factor A	7	72-78	NN.DDDD
25	Risk Adjuster Factor B	7	79-85	NN.DDDD
	Fields 26 - 30 applicable to both Demographic and Risk Adjuster:			
26	Number of Paymt/Adjustmt Months Part A	2	86-87	99
27	Number of Paymt/Adjustmt Months Part B	2	88-89	99
28	Adjustment Reason Code	2	90-91	99 Always Spaces on Payment
29	Paymt/Adjustmt Start Date	8	92-99	YYYYMMDD
30	Paymt/Adjustmt End Date	8	100-107	YYYYMMDD

#	Field Name	Len	Pos	Description
31	Demographic Paymt/Adjustmt Rate A	9	108-116	-$$$$$.99
32	Demographic Paymt/Adjustmt Rate B	9	117-125	-$$$$$.99
33	Risk Adjuster Paymt/Adjustmt Rate A	9	126-134	-$$$$$.99
34	Risk Adjuster Paymt/Adjustmt Rate B	9	135-143	-$$$$$.99
35	Blended Paymt/Adjustmt Rate A	9	144-152	-$$$$$.99
36	Blended Paymt/Adjustmt Rate B	9	153-161	-$$$$$.99
37	Total Paymt/Adjustmt	9	162-170	-$$$$$.99
	Additional Risk Adjuster Indicators:			
38	FILLER	1	171-171	SPACES
39	Risk Adjuster Age Group (RAAG)	4	172-175	BBEE BB = Beginning Age EE = Ending Age
40	Previous Disable Ratio (PRDIB)	7	176-182	NN.DDDD Percentage of Year (in months) for Previous Disable Add-On – *Only on pre-2004 adjustments*
41	FILLER	1	183-183	SPACES
42	FILLER	1	184-184	SPACES
43	Plan Benefit Package Id	3	185-187	Plan Benefit Package Id FORMAT 999

#	Field Name	Len	Pos	Description
44	Race Code	1	188-188	Format X Values: 0 = Unknown 1 = White 2 = Black 3 = Other 4 = Asian 5 = Hispanic 6 = N. American Native
45	RA Factor Type Code	2	189-190	Type of factors in use (see Fields 24-25): C = Community **CP = Community Post-Graft** FUTURE C1 = Community Post-Graft1 (months 4-9) FUTURE C2 = CommunityPost-Graft2 (months 10+) D = Dialysis E = New Enrollee ED = New Enrollee Dialysis **EP = New Enrollee Post-Graft** FUTURE E1 = New Enrollee Post-Graft1 (months 4-9) FUTURE E2 = New Enrollee Post-Graft 1 (month 10+) **G = Graft** FUTURE G1 = Graft1 (month 1) FUTURE G2 = Graft2 (months 2-3) I = Institutional **IP = Institutional Post-Graft** FUTURE I1 = Institutional Post-Graft 1 (months 4-9) FUTURE I2 = Institutional Post-Graft 2 (months 10+)
46	Frailty Indicator	1	191-191	Y = MCO-level Frailty Factor Included
47	Previously Disabled Indicator	1	192-192	Y = Previously Disabled – Only on post-2003 payments/adjustments
48	Lag Indicator	1	193-193	Y = Encounter data used to calculate RA factor lags payment year by 6 months
49	EGHP Flag	1	194-194	Y = EGHP member; otherwise blank
*50	**ESRD MSP Flag**	**1**	**195-195**	**FUTURE** **Y = ESRD member is in MSP status; otherwise blank**
*51	**Filler**	**5**	**196 – 200**	**Spaces**